

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 L-03 AID-20 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 DRC-01 /109 W

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R 121730Z AUG 74

FM AMCONSUL MONTREAL

TO SECSTATE WASHDC 5173

INFO AMEMBASSY OTTAWA

AMEMBASSY QUEBEC

LIMITED OFFICIAL USE MONTREAL 1249

E.O. 11652: N/A

TAGS: EFIN CA

SUBJECT: REQUEST FOR INFORMATION ON FOREIGN REGULATION OF  
FOREIGN BANKS

REF: STATE 170351

1. OTTAWA HAS REPATED 170351 AND A-1911 TO MONTREAL WITH  
REQUEST FOR CONTRIBUTION AT PROVINCIAL LEVEL.
2. ALL BANKS IN QUEBEC ARE FEDERALLY CHARTERED AND REGULA-  
TED BY 1967 BANK ACT. PROVINCE CHARTERS TRUST COMPANIES AND  
OTHER FIRMS ENGAGED IN FINANCIAL SERVICES SUCH AS LEASING  
AND FACTORING. QUEBEC-CHARTERED TRUST COMPANIES ARE RE-  
GULATED BY PROVINCIAL TRUST ACT. WE HAVE REQUESTED COPY OF  
THAT ACT AND WILL FORWARD TO DEPARTMENT ON RECEIPT. LEASING  
AND FACTORING COMPANIES ARE CHARTERED AS REGULAR BUSINESS  
FIRMS. ACCORDING TO SPOKESMAN FOR QUEBEC MINISTRY OF FINANCIAL  
INSTITUTIONS, NEITHER TRUST ACT NOR COMPANIES ACT CONTAINS  
RESTRICTIONS ON FOREIGN OWNERSHIP AND OPERATION. HOWEVER  
CONGEN SEES INDICATIONS FOREIGN OWNERSHIP IN THESE AND OTHER  
SECTORS MAY COME UNDER SOME CONTROL IN FUTURE.

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3. ONLY U.S. CONTROLLED BANK IN QUEBEC, AND IN FACT IN

CANADA, IS MERCANTILE BANK, NOW OWNED 32 PERCENT BY FIRST NATIONAL CITY BANK. ONLY U.S. OFFICER OF MERCANTILE IS PRESIDENT PAUL AUSTIN. DUE TO HIS ABSENCE ON VACATION WE DISCUSSED PARAGRAPH FIVE OF A-1911 WITH LINTON REID, VICE PRESIDENT FOR INVESTMENT AND EXCHANGE.

4. MERCANTILE WAS FORMELY CONTROLLED 100 PERCENT BY CITIBANK. FOLLOWING THE 1967 REVISION OF THE BANK ACT WHICH RESTRICTED FOREIGN OWNERSHIP IN CANADIAN BANKS, MERCANTILE IN 1971 ENTERED INTO ACCORD WITH THE CANADIAN GOVERNMENT TO REDUCE CITIBANK CONTROL TO 25 PERCENT THROUGH PROGRAM OF SIX SHARE ISSUES. THERE HAVE BEEN FOUR SHARE ISSUES AND CITIBANK CONTROL IS NOW DOWN TO 32 PERCENT. THE PROGRAM WILL BE COMPLETED BEFORE THE 1980 DEADLINE AGREED TO IN THE 1971 ACCORD. UNTIL CITIBANK CONTROL IS DOWN TO 25 PERCENT, MERCANTILE'S ASSETS ARE LIMITED TO A MAXIMUM OF TWENTY TIMES THE AUTHORIZED CAPITAL. WE UNDERSTAND NEW FOREIGN INVESTMENT IN CANADIAN BANKS IS NOW LIMITED TO TEN PERCENT.

5. EXCEPT FOR ABOVE LIMITATION, MERCANTILE OPERATES ON EQUAL FOOTING WITH OTHER BANKS IN CANADA. MERCANTILE MUST COMPLY WITH LIMITATIONS ON NON-CANADIAN DIRECTORS BUT THESE APPLY TO ALL BANKS. THERE ARE NO DISCRIMINATORY ADMINISTRATIVE PRACTICES NOR INDIRECT CONTROLS. MERCANTILE PROVIDES ALL CONVENTIONAL BANKING SERVICES BUT AS MATTER OF POLICY CONCENTRATES ON COMMERCIAL BANKING. IT HAS NINE BRANCHES IN KEY COMMERCIAL CENTERS. IT CAN ENGAGE IN SECURITIES TRADING FOR ITS CUSTOMERS TO THE SAME EXTENT AS OTHER BANKS, AND OFFERS CONSUMER FINANCING.

6. MERCANTILE, LIKE OTHER BANKS IN CANADA, CANNOT BECOME INVOLVED IN ACTIVITIES WHICH ARE DEFINED AS NON-BANK ACTIVITIES UNDER THE BANK ACT, SUCH AS LEASING, FACTORING AND ESTATE SETTLEMENT. ACCORDING TO OUR SOURCE, CANADIAN LAW DOES NOT PROVIDE FOR RECIPROCITY IN THE ESTABLISHMENT OF BANKS.

7 FOR DEPARTMENT'S INFORMATION, FIRST NATIONAL CITY CORPORATION HAS A SUBSIDIARY, CITICORP LEASING INTERNATIONAL, CHARTERED IN QUEBEC BUT OPERATING MOSTLY IN TORONTO. CITICORP IS ONE OF SEVERAL SUBSIDIARIES OF U.S. BANKS CHARTERED LIMITED OFFICIAL USE

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UNDER QUEBEC LAW TO ENGAGE IN LEASING AND FACTORING ACTIVITIES IN CANADA.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LAW, BANK DATA, FOREIGN INVESTMENT CONTROLS, FOREIGN ASSETS CONTROLS, BANKS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 AUG 1974  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
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